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C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 003102

SIPDIS

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TAGS: [EFIN](#) [PGOV](#) [ECON](#) [JA](#)

SUBJECT: OPPOSITION PUSHES COMPETING ECONOMIC AGENDA

REF: A. TOKYO 3079

[1](#)B. TOKYO 2843

Classified By: Ambassador J. Thomas Schieffer for reasons 1.4 b/d.

#### Summary

[1](#)1. (C) The opposition Democratic Party of Japan is criticizing Prime Minister Aso's second stimulus plan and is pushing a competing agenda, which includes childcare allowances, reduction of gasoline taxes, and the elimination of highway tolls. The proposals fit into the broader economic framework the DPJ has created in preparation for the next general election. Various DPJ Diet members have told Emboffs the most important part of that framework is a top-to-bottom re-examination of government budgeting and spending priorities, and they argue the party has done the hard policy work to find the funding to pay for their proposals. End summary.

#### DPJ Criticizes PM Aso's Second Stimulus Package

[1](#)2. (SBU) Democratic Party of Japan (DPJ) Secretary General Yukio Hatoyama told the press October 30 he is "disappointed" with PM Aso's second fiscal stimulus plan (ref A) and projected it would be a flop. He voiced concern the short-term tax cut and rebate measures would be of only limited effectiveness because PM Aso simultaneously suggested the consumption tax would be raised in three years. Japanese consumers, Hatoyama argued, are sophisticated enough to realize their long-term tax burden will increase and will therefore limit their spending.

[1](#)3. (SBU) Instead, the DPJ has emphasized the need for Japan to modify its export-dependent economic structure to boost domestic demand. Shadow Minister of Economy, Trade, and Industry Teruhiko Mashiko told fellow DPJ shadow cabinet members October 29 that DPJ plans to introduce child allowance payments, to abolish provisional taxes and surcharges on gasoline, and to eliminate highway tolls would effectively put money in consumers' pockets and stimulate demand.

#### The DPJ's Economic Platform

[1](#)4. (SBU) Mashiko's proposals fit squarely in the economic

policy framework the DPJ has formulated in preparation for a general election, which must be called by September 2009. During a recent ninety-minute meeting with Emboffs, DPJ Diet members Kenzo Fujisue, Tsutomu Okubo, and Motoyuki Odachi described the DPJ's "five pledges for new and better lives": 1) eliminating government waste and the practice of cushy retirements for bureaucrats that feeds needless spending; 2) repairing the pension system; 3) providing a 26,000 yen per child per month childcare allowance; 4) banning the "dispatch" of workers to jobs with contracts of less than two months; and 5) supporting agriculture, forestry, fisheries and small and medium enterprises through new agricultural subsidies and 50% corporate tax cut for small business.

15. (C) Among the DPJ's pledges, Okubo pointed to the first as the most important. The pledge is couched in the widely popular language of eliminating government waste and cozy post-retirement lobbying practices, but the real target is a top-to-bottom restructuring of government budgeting practices that would prioritize spending from the viewpoint of consumers rather than producers. Okubo, the Director of the DPJ's Committee on Financial Affairs and a former Bank of Japan official, said the DPJ would aim to re-prioritize spending in both the general budget and Japan's so-called "special accounts" (many of which earmark revenues and which leave room for substantial reform). By doing so, the DPJ says it can examine 212 trillion yen in spending in search of resources to bring to bear on people's needs.

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16. (C) Pressed on the costs of the DPJ's plans, for example in the lost competitiveness inherent in the ban on short-term dispatch work, the DPJ Diet members acknowledged that particular provision was written into the framework to secure the political support of labor unions (ref B). Those deals are a reality of electoral politics, they argued, and Fujisue added the party was already considering other measures to boost small firms' competitiveness.

17. (SBU) Okubo stressed the DPJ, in response to past criticisms, had found funding sources to pay for the measures they support. Re-examining budget priorities, abolishing the special accounts, and eliminating Japan's independent administrative corporations would make 8.4 trillion yen available in FY2009, he asserted. An additional 14 trillion yen in available funding would be generated (per year) as reforms were implemented in FY2010 and FY2011 and the amount would rise to 20.5 trillion yen in FY2012. Ruling Liberal Democratic Party (LDP) officials have argued in Diet sessions the reform is a one-off plan that would create a funding gap in the future, but DPJ members have countered that no plan exists to support PM Aso's current fiscal stimulus plans.

18. (C) The DPJ has done the hard work to find funding for its economic framework and priorities, summarized Okubo while thumbing through a thick sheaf of briefing papers. "Take us seriously."

SCHIEFFER